



HP Inc. Reports Fiscal 2023 Full Year and Fourth Quarter Results

PALO ALTO, Calif., Nov. 21, 2023 (GLOBE NEWSWIRE) -- HP (NYSE: HPQ)

- ⌋ Fiscal 2023 GAAP diluted net earnings per share ("EPS") of \$3.26, above the previously provided outlook of \$2.95 to \$3.07 per share
- ⌋ Fiscal 2023 non-GAAP diluted net EPS of \$3.28, within the previously provided outlook of \$3.23 to \$3.35 per share
- ⌋ Fiscal 2023 net revenue of \$53.7 billion, down 14.6% from the prior-year period
- ⌋ Fiscal 2023 net cash provided by operating activities of \$3.6 billion, free cash flow of \$3.1 billion
- ⌋ Fiscal 2023 returned \$1.1 billion to shareholders in the form of dividends and share repurchases
- ⌋ Fiscal 2023 retired \$1.6 billion in long term debt
- ⌋ Fourth quarter GAAP diluted net EPS was \$0.97, above the previously provided outlook of \$0.65 to \$0.77 per share
- ⌋ Fourth quarter non-GAAP diluted net EPS of \$0.90, within the previously provided outlook of \$0.85 to \$0.97 per share
- ⌋ Fourth quarter net revenue of \$13.8 billion, down 6.5% from the prior-year period
- ⌋ Fourth quarter net cash provided by operating activities of \$2.0 billion, free cash flow of \$1.9 billion
- ⌋ Fourth quarter returned \$0.3 billion to shareholders in the form of dividends

HP Inc.'s fiscal 2023 full-year and fourth quarter financial performance

	FY23		FY22		Y/Y	Q4 FY23		Q4 FY22		Y/Y
GAAP net revenue (\$B)	\$	53.7	\$	62.9	(14.6)%	\$	13.8	\$	14.8	(6.5)%
GAAP operating margin		6.4%		7.2%	(0.8) pts		7.3%		5.0%	2.3 pts
GAAP net earnings (\$B)	\$	3.3	\$	3.1	4%	\$	1.0	\$	—	NM
GAAP diluted net EPS	\$	3.26	\$	2.98	9%	\$	0.97	\$	(0.02)	NM
Non-GAAP operating margin		8.5%		8.5%	0.0 pts		9.0%		7.6%	1.4 pts
Non-GAAP net earnings (\$B)	\$	3.3	\$	4.2	(22)%	\$	0.9	\$	0.8	8%
Non-GAAP diluted net EPS	\$	3.28	\$	3.98	(18)%	\$	0.90	\$	0.82	10%
Net cash provided by operating activities (\$B)	\$	3.6	\$	4.5	(20)%	\$	2.0	\$	1.9	4%
Free cash flow (\$B)	\$	3.1	\$	3.9	(20)%	\$	1.9	\$	1.8	3%

Notes

Information about HP Inc.'s use of non-GAAP financial information is provided under "Use of non-GAAP financial information" below.

Net revenue and EPS results

HP Inc. and its subsidiaries ("HP") announced fiscal 2023 net revenue of \$53.7 billion, down 15% (down 12% in constant currency) from the prior-year period.

Fiscal 2023 GAAP diluted net EPS was \$3.26, up from \$2.98 in the prior-year period and above the previously provided outlook of \$2.95 to \$3.07. Fiscal 2023 non-GAAP diluted net EPS was \$3.28, down from \$3.98 in the prior-year period and within the previously provided outlook of \$3.23 to \$3.35. Fiscal 2023 non-GAAP net earnings and non-GAAP diluted net EPS exclude after-tax adjustments of \$14 million, or \$0.02 per diluted share, related to restructuring and other charges, acquisition and divestiture charges, amortization of intangible assets, debt extinguishment benefit, non-operating retirement-related credits, and tax adjustments.

Fourth quarter net revenue was \$13.8 billion, down 6% (down 5% in constant currency) from the prior-year period.

Fourth quarter GAAP diluted net EPS was \$0.97, up from \$(0.02) in the prior-year period and above the previously provided outlook of \$0.65 to \$0.77. Fourth quarter non-GAAP diluted net EPS was \$0.90, up from \$0.82 in the prior-year period and within the previously provided outlook of \$0.85 to \$0.97. Fourth quarter non-GAAP net earnings and non-GAAP diluted net EPS exclude after-tax adjustments of \$72 million, or \$0.07 per diluted share, related to restructuring and other charges, acquisition and divestiture charges, amortization of intangible assets, non-operating retirement-related credits, and tax adjustments.

"2023 was a year of steady progress. We executed well in a tough market and innovated in our key growth areas to finish the year with good momentum," said Enrique Lores, HP President and CEO. "Our Future Ready plan is positioning us well to capitalize on attractive opportunities across our portfolio and deliver long-term sustainable growth."

"Q4 was a solid quarter of sequential growth and strong free cash flow as we continued to improve the performance of the company," said Marie Myers, HP CFO. "We are entering FY24 with a relentless focus on driving profitable growth, reducing our structural costs and returning 100% of our free cash flow to shareholders."

Asset management

HP generated \$3.6 billion in net cash provided by operating activities and \$3.1 billion of free cash flow in fiscal 2023. Free cash flow includes net cash provided by operating activities of \$3.6 billion adjusted for net investments in leases of \$110 million and net investments in property, plant and equipment of \$593 million. HP utilized \$100 million of cash during fiscal 2023 to repurchase approximately 3.6 million shares of common stock in the open market. When combined with the \$1.0 billion of cash used to pay dividends, HP returned 37% of its free cash flow to shareholders in fiscal 2023.

HP's net cash provided by operating activities in the fourth quarter of fiscal 2023 was \$2.0 billion. Accounts receivable ended the quarter at

\$4.2 billion, down 2 days quarter over quarter to 28 days. Inventory ended the quarter at \$6.9 billion, down 5 days quarter over quarter to 57 days. Accounts payable ended the quarter at \$14.0 billion, down 6 days quarter over quarter to 117 days.

HP generated \$1.9 billion of free cash flow in the fourth quarter. Free cash flow includes net cash provided by operating activities of \$2.0 billion adjusted for net investments in leases of \$28 million and net investments in property, plant and equipment of \$134 million.

HP's dividend payment of \$0.2625 per share in the fourth quarter resulted in cash usage of \$0.3 billion. HP returned 14% of its fourth quarter free cash flow to shareholders. HP exited the quarter with \$3.2 billion in gross cash, which includes cash, cash equivalents and restricted cash and short-term investments of \$3 billion included in other current assets. Cash, cash equivalents and restricted cash includes \$125 million of restricted cash related to amounts collected and held on behalf of a third party for trade receivables previously sold.

The HP board of directors has declared a quarterly cash dividend of \$0.2756 per share on the company's common stock, payable on January 4, 2024. This is an increase of 5% from the prior dividend.

Fiscal 2023 fourth quarter segment results

- Personal Systems net revenue was \$9.4 billion, down 8% year over year (down 7% in constant currency) with a 6.7% operating margin. Consumer PS net revenue was down 1% and Commercial PS net revenue was down 11%. Total units were flat with Consumer PS units up 9% and Commercial PS units down 6%.
- Printing net revenue was \$4.4 billion, down 3% year over year (down 2% in constant currency) with a 18.9% operating margin. Consumer Printing net revenue was down 21% and Commercial Printing net revenue was down 4%. Supplies net revenue was up 3% (up 4% in constant currency). Total hardware units were down 19% with Consumer Printing units down 18% and Commercial Printing units down 24%.

Outlook

For the fiscal 2024 first quarter, HP estimates GAAP diluted net EPS to be in the range of \$0.60 to \$0.70 and non-GAAP diluted net EPS to be in the range of \$0.76 to \$0.86. Fiscal 2024 first quarter non-GAAP diluted net EPS estimates exclude \$0.16 per diluted share, primarily related to restructuring and other charges, acquisition and divestiture charges, amortization of intangible assets, non-operating retirement-related credits, tax adjustments and the related tax impact on these items.

For fiscal 2024, HP estimates GAAP diluted net EPS to be in the range of \$2.68 to \$3.08 and non-GAAP diluted net EPS to be in the range of \$3.25 to \$3.65. Fiscal 2024 non-GAAP diluted net EPS estimates exclude \$0.57 per diluted share, primarily related to restructuring and other charges, acquisition and divestiture charges, amortization of intangible assets, non-operating retirement-related credits, tax adjustments and the related tax impact on these items. For fiscal 2024, HP anticipates generating free cash flow in the range of \$3.1 to \$3.6 billion.

More information on HP's earnings, including additional financial analysis and an earnings overview presentation, is available on HP's Investor Relations website at investor.hp.com.

HP's FY23 Q4 earnings conference call is accessible via audio webcast at www.hp.com/investor/2023Q4Webcast.

About HP Inc.

HP Inc. (NYSE: HPQ) is a global technology leader and creator of solutions that enable people to bring their ideas to life and connect to the things that matter most. Operating in more than 170 countries, HP delivers a wide range of innovative and sustainable devices, services and subscriptions for personal computing, printing, 3D printing, hybrid work, gaming, and more. For more information, please visit: <http://www.hp.com>.

Use of non-GAAP financial information

To supplement HP's consolidated condensed financial statements presented on a generally accepted accounting principles ("GAAP") basis, HP provides net revenue on a constant currency basis, non-GAAP total operating expense, non-GAAP operating profit, non-GAAP operating margin, non-GAAP tax rate, non-GAAP net earnings, non-GAAP diluted net EPS, free cash flow, gross cash and net cash (debt) financial measures. HP also provides forecasts of non-GAAP diluted net EPS and free cash flow. Reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures are included in the tables below or elsewhere in the materials accompanying this news release. In addition, an explanation of the ways in which HP's management uses these non-GAAP measures to evaluate its business, the substance behind HP's decision to use these non-GAAP measures, the material limitations associated with the use of these non-GAAP measures, the manner in which HP's management compensates for those limitations, and the substantive reasons why HP's management believes that these non-GAAP measures provide useful information to investors is included under "Use of non-GAAP financial measures" after the tables below. This additional non-GAAP financial information is not meant to be considered in isolation or as a substitute for net revenue, operating expense, operating profit, operating margin, tax rate, net earnings, diluted net EPS, cash provided by operating activities or cash, cash equivalents, and restricted cash prepared in accordance with GAAP.

Forward-looking statements

This document contains forward-looking statements based on current expectations and assumptions that involve risks and uncertainties. If the risks or uncertainties ever materialize or the assumptions prove incorrect, they could affect the business and results of operations of HP Inc. and its consolidated subsidiaries which may differ materially from those expressed or implied by such forward-looking statements and assumptions.

All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including, but not limited to, any statements regarding the impact of the COVID-19 pandemic; projections of net revenue, margins, expenses, effective tax rates, net earnings, net earnings per share, cash flows, benefit plan funding, deferred taxes, share repurchases, foreign currency exchange rates or other financial items; any projections of the amount, timing or impact of cost savings or restructuring and other charges, planned structural cost reductions and productivity initiatives; any statements of the plans, strategies and objectives of management for future operations, including, but not limited to, our business model and transformation, our sustainability goals, our go-to-market strategy, the

execution of restructuring plans and any resulting cost savings (including the fiscal 2023 plan), net revenue or profitability improvements or other financial impacts; any statements concerning the expected development, demand, performance, market share or competitive performance relating to products or services; any statements concerning potential supply constraints, component shortages, manufacturing disruptions or logistics challenges; any statements regarding current or future macroeconomic trends or events and the impact of those trends and events on HP and its financial performance; any statements regarding pending investigations, claims, disputes or other litigation matters; any statements of expectation or belief as to the timing and expected benefits of acquisitions and other business combination and investment transactions (including the recent acquisition of Plantronics, Inc. ("Poly")); and any statements of assumptions underlying any of the foregoing. Forward-looking statements can also generally be identified by words such as "future," "anticipates," "believes," "estimates," "expects," "intends," "plans," "predicts," "projects," "will," "would," "could," "can," "may," and similar terms.

Risks, uncertainties and assumptions that could affect our business and results of operations include factors relating to the impact of macroeconomic and geopolitical trends, changes and events, including the Russian invasion of Ukraine, tension across the Taiwan Strait, the Israel-Hamas conflict and the regional and global ramifications of these events; recent volatility in global capital markets, increases in benchmark interest rates, the effects of inflation and instability of financial institutions; risks associated with HP's international operations; the effects of the COVID-19 pandemic; the execution and performance of contracts by HP and its suppliers, customers, clients and partners, including logistical challenges with respect to such execution and performance; changes in estimates and assumptions HP makes in connection with the preparation of its financial statements; the need to manage (and reliance on) third-party suppliers, including with respect to component shortages, and the need to manage HP's global, multi-tier distribution network, limit potential misuse of pricing programs by HP's channel partners, adapt to new or changing marketplaces and effectively deliver HP's services; HP's ability to execute on its strategic plans, including the previously announced initiatives, business model changes and transformation; execution of planned structural cost reductions and productivity initiatives; HP's ability to complete any contemplated share repurchases, other capital return programs or other strategic transactions; the competitive pressures faced by HP's businesses; risks associated with executing HP's strategy and business model changes and transformation; successfully innovating, developing and executing HP's go-to-market strategy, including online, omnichannel and contractual sales, in an evolving distribution, reseller and customer landscape; the development and transition of new products and services and the enhancement of existing products and services to meet evolving customer needs and respond to emerging technological trends; successfully competing and maintaining the value proposition of HP's products, including supplies; challenges to HP's ability to accurately forecast inventories, demand and pricing, which may be due to HP's multi-tiered channel, sales of HP's products to unauthorized resellers or unauthorized resale of HP's products or our uneven sales cycle; integration and other risks associated with business combination and investment transactions; the results of our restructuring plans (including the fiscal 2023 plan), including estimates and assumptions related to the cost (including any possible disruption of HP's business) and the anticipated benefits of our restructuring plans; the protection of HP's intellectual property assets, including intellectual property licensed from third parties; the hiring and retention of key employees; disruptions in operations from system security risks, data protection breaches, cyberattacks, extreme weather conditions or other effects of climate change, medical epidemics or pandemics such as the COVID-19 pandemic, and other natural or manmade disasters or catastrophic events; the impact of changes to federal, state, local and foreign laws and regulations, including environmental regulations and tax laws; our aspirations related to environmental, social and governance matters; potential impacts, liabilities and costs from pending or potential investigations, claims and disputes; the effectiveness of our internal control over financial reporting and other risks that are described in HP's Annual Report on Form 10-K for the fiscal year ended October 31, 2022 and HP's other filings with the Securities and Exchange Commission.

As in prior periods, the financial information set forth in this document, including any tax-related items, reflects estimates based on information available at this time. While HP believes these estimates to be reasonable, these amounts could differ materially from reported amounts in HP's Annual Reports on Form 10-K for the fiscal years ending October 31, 2023 and October 31, 2024, Quarterly Report on Form 10-Q for the fiscal quarter ending January 31, 2024, and HP's other filings with the Securities and Exchange Commission. The forward-looking statements in this document are made as of the date of this document and HP assumes no obligation and does not intend to update these forward-looking statements.

HP's Future Ready plan includes HP's efforts to take advantage of future growth opportunities, including but not limited to, investments to drive growth, investments in our people, improving product mix, driving structural cost savings and other productivity measures. Structural cost savings represent gross reductions in costs driven by operational efficiency, digital transformation, and portfolio optimization. These initiatives include but are not limited to workforce reductions, platform simplification, programs consolidation and productivity measures undertaken by HP, which HP expects to be sustainable in the longer-term. These structural cost savings are net of any new recurring costs resulting from these initiatives and exclude one-time investments to generate such savings. HP's expectations on the longer-term sustainability of such structural cost savings are based on its current business operations and market dynamics and could be significantly impacted by various factors, including but not limited to HP's evolving business models, future investment decisions, market environment and technology landscape.

HP's Investor Relations website at investor.hp.com contains a significant amount of information about HP, including financial and other information for investors. HP encourages investors to visit its website from time to time, as information is updated, and new information is posted. The content of HP's website is not incorporated by reference into this document or in any other report or document HP files with the SEC, and any references to HP's website are intended to be inactive textual references only.

Editorial contacts

HP Inc. Media Relations

MediaRelations@hp.com

HP Inc. Investor Relations

InvestorRelations@hp.com

HP INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF EARNINGS
(Unaudited)
(In millions, except per share amounts)

	Three months ended		
	October 31, 2023	July 31, 2023	October 31, 2022
Net revenue	\$ 13,817	\$ 13,196	\$ 14,774
Costs and expenses:			
Cost of revenue	10,832	10,374	12,083
Research and development	411	354	382
Selling, general and administrative	1,327	1,302	1,189
Restructuring and other charges	111	75	70
Acquisition and divestiture charges	34	48	235
Amortization of intangible assets	88	91	74
Total costs and expenses	12,803	12,244	14,033
Earnings from operations	1,014	952	741
Interest and other, net	(162)	(16)	(94)
Earnings before taxes	852	936	647
Benefit from (provision for) taxes	122	(170)	(670)
Net earnings (loss)	<u>\$ 974</u>	<u>\$ 766</u>	<u>\$ (23)</u>

Net earnings (loss) per share:

Basic	\$ 0.98	\$ 0.77	\$ (0.02)
Diluted	\$ 0.97	\$ 0.76	\$ (0.02)

Cash dividends declared per share	\$ —	\$ 0.52	\$ —
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Weighted-average shares used to compute net earnings (loss) per share:

Basic	994	993	998
Diluted	1,004	1,002	1,009

As previously disclosed, HP revised its prior period financial statements for the quarterly and annual periods of fiscal 2021, 2022 and the first two quarters of fiscal 2023, for an accounting correction related to a revenue contract in the Personal Systems segment. The impact of these revisions were not material to HP's previously filed financial statements. See HP's Form 10-K/A for the fiscal 2022 and Form 10-Q for the third quarter of fiscal 2023 filed with Securities and Exchange Commission ("SEC") for detailed information.

HP INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF EARNINGS
(Unaudited)
(In millions, except per share amounts)

	Twelve months ended	
	October 31, 2023	October 31, 2022
Net revenue	\$ 53,718	\$ 62,910
Costs and expenses:		
Cost of revenue	42,210	50,647
Research and development	1,578	1,653
Selling, general and administrative	5,357	5,264
Restructuring and other charges	527	218
Acquisition and divestiture charges	240	318
Amortization of intangible assets	350	228
Russia exit charges	—	23
Total costs and expenses	50,262	58,351
Earnings from operations	3,456	4,559
Interest and other, net	(519)	(235)
Earnings before taxes	2,937	4,324
Benefit from (provision for) taxes	326	(1,192)
Net earnings	<u>\$ 3,263</u>	<u>\$ 3,132</u>
Net earnings per share:		
Basic	\$ 3.29	\$ 3.02
Diluted	\$ 3.26	\$ 2.98
Cash dividends declared per share	\$ 1.05	\$ 1.00

Weighted-average shares used to compute net earnings per share:

Basic	992	1,038
Diluted	1,000	1,050

HP INC. AND SUBSIDIARIES
ADJUSTMENTS TO GAAP NET EARNINGS, EARNINGS FROM OPERATIONS,
OPERATING MARGIN AND DILUTED NET EARNINGS PER SHARE
(Unaudited)
(In millions, except per share amounts)

	Three months ended					
	October 31, 2023		July 31, 2023		October 31, 2022	
	Amounts	Diluted net earnings per share	Amounts	Diluted net earnings per share	Amounts	Diluted net (loss) earnings per share
GAAP net earnings (loss)	\$ 974	\$ 0.97	\$ 766	\$ 0.76	\$ (23)	\$ (0.02)
Non-GAAP adjustments:						
Restructuring and other charges	111	0.11	75	0.07	70	0.07
Acquisition and divestiture charges	34	0.03	48	0.05	235	0.23
Amortization of intangible assets	88	0.09	91	0.09	74	0.07
Debt extinguishment benefit	—	—	(115)	(0.11)	—	—
Non-operating retirement-related credits	(11)	(0.01)	(12)	(0.01)	(35)	(0.03)
Tax adjustments ^(a)	(294)	(0.29)	6	0.01	511	0.50
Non-GAAP net earnings	<u>\$ 902</u>	<u>\$ 0.90</u>	<u>\$ 859</u>	<u>\$ 0.86</u>	<u>\$ 832</u>	<u>\$ 0.82</u>
GAAP earnings from operations	\$ 1,014		\$ 952		\$ 741	
Non-GAAP adjustments:						
Restructuring and other charges	111		75		70	
Acquisition and divestiture charges	34		48		235	
Amortization of intangible assets	88		91		74	
Non-GAAP earnings from operations	<u>\$ 1,247</u>		<u>\$ 1,166</u>		<u>\$ 1,120</u>	
GAAP operating margin	7.3%		7.2%		5.0%	
Non-GAAP adjustments	1.7%		1.6%		2.6%	
Non-GAAP operating margin	<u>9.0%</u>		<u>8.8%</u>		<u>7.6%</u>	

(a) Includes tax impact on non-GAAP adjustments.

HP INC. AND SUBSIDIARIES
OPERATING MARGIN AND DILUTED NET EARNINGS PER SHARE
(Unaudited)
(In millions, except per share amounts)

	Twelve months ended			
	October 31, 2023		October 31, 2022	
	Amounts	Diluted net earnings per share	Amounts	Diluted net earnings per share
GAAP net earnings	\$ 3,263	\$ 3.26	\$ 3,132	\$ 2.98
Non-GAAP adjustments:				
Restructuring and other charges	527	0.53	218	0.21
Acquisition and divestiture charges	240	0.24	318	0.30
Amortization of intangible assets	350	0.35	228	0.22
Russia exit charges	—	—	23	0.02
Debt extinguishment benefit	(107)	(0.11)	—	—
Non-operating retirement-related credits	(46)	(0.05)	(138)	(0.13)
Tax adjustments ^(a)	(950)	(0.94)	396	0.38
Non-GAAP net earnings	<u>\$ 3,277</u>	<u>\$ 3.28</u>	<u>\$ 4,177</u>	<u>\$ 3.98</u>

GAAP earnings from operations	\$ 3,456	\$ 4,559
Non-GAAP adjustments:		
Restructuring and other charges	527	218
Acquisition and divestiture charges	240	318
Amortization of intangible assets	350	228
Russia exit charges	—	23
Non-GAAP earnings from operations	<u>\$ 4,573</u>	<u>\$ 5,346</u>
GAAP operating margin	6.4%	7.2%
Non-GAAP adjustments	<u>2.1%</u>	<u>1.3%</u>
Non-GAAP operating margin	<u>8.5%</u>	<u>8.5%</u>

(a) Includes tax impact on non-GAAP adjustments.

HP INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
(Unaudited)
(In millions)

	As of	
	October 31, 2023	October 31, 2022
ASSETS		
Current assets:		
Cash, cash equivalents and restricted cash	\$ 3,232	\$ 3,145
Accounts receivable, net	4,237	4,546
Inventory	6,862	7,614
Other current assets	3,646	4,431
Total current assets	<u>17,977</u>	<u>19,736</u>
Property, plant and equipment, net	2,827	2,774
Goodwill	8,591	8,541
Other non-current assets	7,609	7,443
Total assets	<u>\$ 37,004</u>	<u>\$ 38,494</u>

LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Notes payable and short-term borrowings	\$ 230	\$ 218
Accounts payable	14,046	15,303
Other current liabilities	10,212	10,668
Total current liabilities	<u>24,488</u>	<u>26,189</u>
Long-term debt	9,254	10,796
Other non-current liabilities	4,331	4,534
Stockholders' deficit	(1,069)	(3,025)
Total liabilities and stockholders' deficit	<u>\$ 37,004</u>	<u>\$ 38,494</u>

HP INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)
(In millions)

	Three months ended	
	October 31, 2023	October 31, 2022
Cash flows from operating activities:		
Net earnings (loss)	\$ 974	\$ (23)
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	212	209
Stock-based compensation expense	85	70
Restructuring and other charges	111	70
Deferred taxes on earnings	(149)	527
Other, net	51	114
Changes in operating assets and liabilities, net of acquisitions:		

Accounts receivable	98	184
Inventory	304	784
Accounts payable	(107)	(418)
Net investment in leases	(28)	(61)
Taxes on earnings	(156)	32
Restructuring and other	(66)	(60)
Other assets and liabilities	646	476
Net cash provided by operating activities	1,975	1,904
Cash flows from investing activities:		
Investment in property, plant and equipment	(150)	(144)
Proceeds from sale of property, plant and equipment	16	—
Purchases of available-for-sale securities and other investments	(5)	(2)
Maturities and sales of available-for-sale securities and other investments	3	1
Collateral returned for derivative instruments	118	—
Payment made in connection with business acquisition, net of cash acquired	(2)	(2,731)
Net cash used in investing activities	(20)	(2,876)
Cash flows from financing activities:		
Payment of short-term borrowings with original maturities less than 90 days, net	(200)	—
Proceeds from debt, net of issuance costs	78	89
Payment of debt and associated costs	(46)	(552)
Stock-based award activities and others	(14)	(7)
Repurchase of common stock	—	(750)
Cash dividends paid	(259)	(249)
Collateral withdrawn for derivative instruments	—	200
Net cash used in financing activities	(441)	(1,269)
Increase (decrease) in cash, cash equivalents and restricted cash	1,514	(2,241)
Cash, cash equivalents and restricted cash at beginning of period	1,718	5,386
Cash, cash equivalents and restricted cash at end of period	\$ 3,232	\$ 3,145

HP INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)
(In millions)

	Twelve months ended	
	October 31, 2023	October 31, 2022
Cash flows from operating activities:		
Net earnings	\$ 3,263	\$ 3,132
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	850	780
Stock-based compensation expense	438	343
Restructuring and other charges	527	218
Deferred taxes on earnings	(923)	577
Other, net	(10)	475
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	278	1,285
Inventory	668	214
Accounts payable	(1,240)	(909)
Net investment in leases	(110)	(155)
Taxes on earnings	198	(134)
Restructuring and other	(310)	(245)
Other assets and liabilities	(58)	(1,118)
Net cash provided by operating activities	3,571	4,463
Cash flows from investing activities:		
Investment in property, plant and equipment	(609)	(791)
Proceeds from sale of property, plant and equipment	16	26
Purchases of available-for-sale securities and other investments	(11)	(52)
Maturities and sales of available-for-sale securities and other investments	21	9
Collateral returned for derivative instruments	—	14
Payment made in connection with business acquisitions, net of cash acquired	(7)	(2,755)
Net cash used in investing activities	(590)	(3,549)
Cash flows from financing activities:		
Payment of short-term borrowings with original maturities less than 90 days, net	(10)	(400)

Proceeds from debt, net of issuance costs	255	4,175
Payment of debt and associated costs	(1,700)	(693)
Stock-based award activities and others	(100)	(95)
Repurchase of common stock	(100)	(4,297)
Cash dividends paid	(1,036)	(1,037)
Collateral (returned) withdrawn for derivative instruments	(200)	200
Settlement of cash flow hedges	(3)	79
Net cash used in financing activities	(2,894)	(2,068)
Increase (decrease) in cash, cash equivalents and restricted cash	87	(1,154)
Cash, cash equivalents and restricted cash at beginning of period	3,145	4,299
Cash, cash equivalents and restricted cash at end of period	<u>\$ 3,232</u>	<u>\$ 3,145</u>

HP INC. AND SUBSIDIARIES
SEGMENT/BUSINESS UNIT INFORMATION
(Unaudited)
(In millions)

	Three months ended			Change (%)	
	October 31, 2023	July 31, 2023	October 31, 2022	Q/Q	Y/Y
Net revenue:					
Commercial PS	\$ 6,213	\$ 6,201	\$ 7,016	—	(11)%
Consumer PS	3,185	2,731	3,224	17%	(1)%
Personal Systems ^(a)	9,398	8,932	10,240	5%	(8)%
Supplies	2,821	2,768	2,748	2%	3%
Commercial Printing	1,064	974	1,108	9%	(4)%
Consumer Printing	533	521	677	2%	(21)%
Printing	4,418	4,263	4,533	4%	(3)%
Corporate Investments ^(c)	2	1	1	NM	NM
Total segment net revenue	13,818	13,196	14,774	5%	(6)%
Other ^(c)	(1)	—	—	NM	NM
Total net revenue	<u>\$ 13,817</u>	<u>\$ 13,196</u>	<u>\$ 14,774</u>	<u>5%</u>	<u>(6)%</u>
Earnings before taxes: ^(b)					
Personal Systems	\$ 631	\$ 592	\$ 430		
Printing	836	794	894		
Corporate Investments	(39)	(32)	(46)		
Total segment earnings from operations	1,428	1,354	1,278		
Corporate and unallocated cost and other	(96)	(97)	(88)		
Stock-based compensation expense	(85)	(91)	(70)		
Restructuring and other charges	(111)	(75)	(70)		
Acquisition and divestiture charges	(34)	(48)	(235)		
Amortization of intangible assets	(88)	(91)	(74)		
Interest and other, net	(162)	(16)	(94)		
Total earnings before taxes	<u>\$ 852</u>	<u>\$ 936</u>	<u>\$ 647</u>		

(a) Effective first quarter of fiscal 2023, HP realigned the Personal Systems business units reporting structure into Commercial PS and Consumer PS to align with its customer market segmentation. HP has reflected this change to its prior reporting periods on an as-if basis. The reporting change had no impact to previously reported segment net revenue and segment earnings from operation, consolidated net revenue, net earnings or net earnings per share ("EPS").

(b) Effective first quarter of fiscal 2023, in connection with organizational realignments, certain costs which were earlier reflected under "Corporate and unallocated cost and other", have now been reclassified to the Personal Systems and Printing segments. HP has reflected this change to its prior reporting periods on an as-if basis. The reporting change had no impact to previously reported segment net revenue, consolidated net revenue, net earnings or net EPS.

(c) "NM" represents not meaningful.

HP INC. AND SUBSIDIARIES
SEGMENT/BUSINESS UNIT INFORMATION
(Unaudited)
(In millions)

	Twelve months ended		Change (%)
	October 31, 2023	October 31, 2022	Y/Y
Net revenue:			
Commercial PS	\$ 24,712	\$ 29,616	(17)%
Consumer PS	10,972	14,395	(24)%
Personal Systems ^(a)	35,684	44,011	(19)%
Supplies	11,452	11,761	(3)%
Commercial Printing	4,183	4,225	(1)%
Consumer Printing	2,394	2,916	(18)%
Printing	18,029	18,902	(5)%
Corporate Investments ^(c)	7	2	NM
Total segment net revenue	53,720	62,915	(15)%
Other ^(c)	(2)	(5)	NM
Total net revenue	\$ 53,718	\$ 62,910	(15)%

Earnings before taxes: ^(b)			
Personal Systems	\$ 2,129	\$ 2,761	
Printing	3,399	3,619	
Corporate Investments	(142)	(230)	
Total segment earnings from operations	5,386	6,150	
Corporate and unallocated cost and other	(375)	(461)	
Stock-based compensation expense	(438)	(343)	
Restructuring and other charges	(527)	(218)	
Acquisition and divestiture charges	(240)	(318)	
Amortization of intangible assets	(350)	(228)	
Russia exit charges	—	(23)	
Interest and other, net	(519)	(235)	
Total earnings before taxes	\$ 2,937	\$ 4,324	

(a) Effective first quarter of fiscal 2023, HP realigned the Personal Systems business units reporting structure into Commercial PS and Consumer PS to align with its customer market segmentation. HP has reflected this change to its prior reporting periods on an as-if basis. The reporting change had no impact to previously reported segment net revenue and segment earnings from operation, consolidated net revenue, net earnings or net EPS.

(b) Effective first quarter of fiscal 2023, in connection with organizational realignments, certain costs which were earlier reflected under "Corporate and unallocated cost and other", have now been reclassified to the Personal Systems and Printing segments. HP has reflected this change to its prior reporting periods on an as-if basis. The reporting change had no impact to previously reported segment net revenue, consolidated net revenue, net earnings or net EPS.

(c) "NM" represents not meaningful.

HP INC. AND SUBSIDIARIES
SEGMENT OPERATING MARGIN SUMMARY
(Unaudited)

	Three months ended			Change (pts)	
	October 31, 2023	July 31, 2023	October 31, 2022	Q/Q	Y/Y
Segment operating margin: ^(a)					
Personal Systems	6.7%	6.6%	4.2%	0.1pts	2.5pts
Printing	18.9%	18.6%	19.7%	0.3pts	(0.8)pts
Corporate Investments ^(b)	NM	NM	NM	NM	NM
Total segment	10.3%	10.3%	8.6%	—pts	1.7pts

	Twelve months ended		Change (pts)
	October 31, 2023	October 31, 2022	Y/Y
Segment operating margin: ^(a)			
Personal Systems	6.0%	6.3%	(0.3)pts
Printing	18.9%	19.1%	(0.2)pts
Corporate Investments ^(b)	NM	NM	NM
Total segment	10.0%	9.8%	0.2pts

(a) Effective at the beginning of the first quarter of fiscal 2023, in connection with organizational realignments, certain costs which were earlier reflected under "Corporate and unallocated cost and other", have now been reclassified to the Personal Systems and Printing segments. HP has reflected this change to its prior reporting periods on an as-if basis. The reporting change had no impact to previously reported segment net revenue, consolidated net revenue, net earnings or net EPS.

(b) "NM" represents not meaningful.

HP INC. AND SUBSIDIARIES
CALCULATION OF DILUTED NET EARNINGS PER SHARE
(Unaudited)
(In millions, except per share amounts)

	Three months ended		
	October 31, 2023	July 31, 2023	October 31, 2022
Numerator:			
GAAP net earnings (loss)	\$ 974	\$ 766	\$ (23)
Non-GAAP net earnings	\$ 902	\$ 859	\$ 832
Denominator:			
Weighted-average shares used to compute basic net earnings (loss) per share	994	993	998
Dilutive effect of employee stock plans ^(a)	10	9	11
Weighted-average shares used to compute diluted net earnings (loss) per share	1,004	1,002	1,009
GAAP diluted net earnings (loss) per share	\$ 0.97	\$ 0.76	\$ (0.02)
Non-GAAP diluted net earnings per share	\$ 0.90	\$ 0.86	\$ 0.82

(a) Includes any dilutive effect of restricted stock units, stock options and performance-based awards.

HP INC. AND SUBSIDIARIES
CALCULATION OF DILUTED NET EARNINGS PER SHARE
(Unaudited)
(In millions, except per share amounts)

	Twelve months ended	
	October 31, 2023	October 31, 2022
Numerator:		
GAAP net earnings	\$ 3,263	\$ 3,132
Non-GAAP net earnings	\$ 3,277	\$ 4,177
Denominator:		
Weighted-average shares used to compute basic net earnings per share	992	1,038
Dilutive effect of employee stock plans ^(a)	8	12
Weighted-average shares used to compute diluted net earnings per share	1,000	1,050
GAAP diluted net earnings per share	\$ 3.26	\$ 2.98
Non-GAAP diluted net earnings per share	\$ 3.28	\$ 3.98

(a) Includes any dilutive effect of restricted stock units, stock options and performance-based awards.

Use of non-GAAP financial measures

To supplement HP's consolidated condensed financial statements presented on a GAAP basis, HP provides net revenue on a constant currency basis, non-GAAP total operating expense, non-GAAP operating profit, non-GAAP operating margin, non-GAAP tax rate, non-GAAP net earnings, non-GAAP diluted net EPS, free cash flow, gross cash and net cash (debt). HP also provides forecasts of non-GAAP diluted net EPS and free cash flow.

These non-GAAP financial measures are not computed in accordance with, or as an alternative to, GAAP in the United States. Reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures are included in the tables above or elsewhere in the materials accompanying this news release.

Use and economic substance of non-GAAP financial measures

Net revenue on a constant currency basis excludes the effect of foreign currency exchange fluctuations calculated by translating current period revenues using monthly exchange rates from the comparative period and excluding any hedging impact recognized in the current period. Non-GAAP operating margin is defined to exclude the effects of any amounts relating to restructuring and other charges, acquisition and divestiture charges, amortization of intangible assets and Russia exit charges. Non-GAAP net earnings and non-GAAP diluted net EPS consist of net earnings or diluted net EPS excluding those same charges, non-operating retirement related (credits)/charges, debt extinguishment costs (benefit), tax adjustments and the amount of additional taxes or tax benefits associated with each non-GAAP item.

HP's management uses these non-GAAP financial measures for purposes of evaluating HP's historical and prospective financial performance, as well as HP's performance relative to its competitors. HP's management also uses these non-GAAP measures to further its own understanding of HP's segment operating performance. HP believes that excluding the items mentioned above for these non-GAAP financial measures allows HP's management to better understand HP's consolidated financial performance in relation to the operating results of HP's segments, as HP's management does not believe that the excluded items are reflective of ongoing operating results. More specifically, HP's management excludes each of those items mentioned above for the following reasons:

- ┆ Restructuring and other charges are (i) costs associated with a formal restructuring plan and are primarily related to employee separation from service and early retirement costs and related benefits, costs of real estate consolidation and other non-labor charges; and (ii) other charges, which includes non-recurring costs including those as a result of information technology rationalization efforts and transformation program management and are distinct from ongoing operational costs. HP excludes these restructuring and other charges (and any reversals of charges recorded in prior periods) for purposes of calculating these non-GAAP measures because HP believes that these costs do not reflect expected future operating expenses and do not contribute to a meaningful evaluation of HP's current operating performance or comparisons to operating performance in other periods.
- ┆ HP incurs cost related to its acquisitions and divestitures, which it would not have otherwise incurred as part of its operations. The charges are direct expenses such as third-party professional and legal fees, integration and divestiture-related costs, as well as non-cash adjustments to the fair value of certain acquired assets such as inventory and certain compensation charges related to cash settlement of restricted stock units and performance-based restricted stock units towards acquisitions. These charges related to acquisitions and divestitures are inconsistent in amount and frequency and are significantly impacted by the timing and nature of HP's acquisitions or divestitures. HP believes that eliminating such expenses for purposes of calculating these non-GAAP measures facilitates a more meaningful evaluation of HP's current operating performance and comparisons to operating performance in other periods.
- ┆ HP incurs charges relating to the amortization of intangible assets. Those charges are included in HP's GAAP earnings, operating margin, net earnings and diluted net EPS. Such charges are significantly impacted by the timing and magnitude of HP's acquisitions and any related impairment charges. Consequently, HP excludes these charges for purposes of calculating these non-GAAP measures to facilitate a more meaningful evaluation of HP's current operating performance and comparisons to operating performance in other periods.
- ┆ Russia exit charges relating to HP's decision to wind down its business operations in Russia. These charges include costs related to severance, cancellation of contracts, inventory write-downs and other related one-time exit costs. HP excludes these adjustments for the purposes of calculating these non-GAAP measures to facilitate a more meaningful evaluation of HP's current operating performance and comparisons to operating performance in other periods.
- ┆ HP incurs debt extinguishment (benefit)/costs includes certain (gain)/loss related to repurchase of certain of its outstanding U.S. dollar global notes or termination of commitments under revolving credit facilities. These (gain)/loss resulting from debt redemption transactions are partially or more than offset by costs such as bond repurchase premiums, bank fees, unpaid accrued interests, etc. HP excludes these (benefit)/costs for the purposes of calculating these non-GAAP measures to facilitate a more meaningful evaluation of HP's current operating performance and comparisons to operating performance in other periods.
- ┆ Non-operating retirement-related (credits)/charges includes certain market-related factors such as interest cost, expected return on plan assets, amortized actuarial gains or losses, associated with HP's defined benefit pension and post-retirement benefit plans. The market-driven retirement-related adjustments are primarily due to the changes in the value of pension plan assets and liabilities which are tied to financial market performance and HP considers these adjustments to be outside the operational performance of the business. Non-operating retirement-related (credits)/charges also include certain plan curtailments, settlements and special termination benefits related to HP's defined benefit pension and post-retirement benefit plans. HP believes that eliminating such adjustments for purposes of calculating non-GAAP measures facilitates a more meaningful evaluation of HP's current operating performance and comparisons to operating performance in other periods.
- ┆ HP recorded tax adjustments including tax expenses and benefits from internal reorganizations, realizability of certain deferred tax assets, various tax rate and regulatory changes, and tax settlements across various jurisdictions. HP excludes these adjustments for the purposes of calculating these non-GAAP measures to facilitate a more meaningful evaluation of HP's current operating performance and comparisons to operating performance in other periods.

Free cash flow is a non-GAAP measure that is defined as cash flow (used in) provided by operations activities adjusted for net investment in leases and net investments in property, plant, and equipment. Gross cash is a non-GAAP measure that is defined as cash, cash equivalents and restricted cash plus short-term investments and certain long-term investments that may be liquidated within 90 days pursuant to the terms of existing put options or similar rights. HP's management uses free cash flow and gross cash for the purpose of determining the amount of cash available for investment in HP's businesses, repurchasing stock and other purposes. HP's management also uses free cash flow and gross cash to evaluate HP's historical and prospective liquidity. Because gross cash includes liquid assets that are not included in cash, cash equivalents and restricted cash, HP believes that gross cash provides a helpful assessment of HP's liquidity. Because free cash flow includes net cash (used in) provided by operating activities adjusted for net investment in leases and net investments in property, plant and equipment. HP believes that free cash flow provides a more accurate and complete assessment of HP's liquidity and capital resources. Net cash (debt) is defined as gross cash less gross debt after adjusting the effect of unamortized premium/discount on debt issuance, debt issuance costs and gains/losses on interest rate swaps.

Key Growth Areas

Key Growth Areas represent HP's businesses which management expects to grow at a rate faster than HP's core business with accretive margins in the longer term. HP's Key Growth Areas are comprised of:

Hybrid Systems: Video conferencing solutions, cameras, headsets, voice, and related software capabilities

Gaming: Gaming PCs (Omen, Victus, etc.), HyperX and gaming accessories

Workforce Solutions: Managed services (Managed Print Service and Device-as-a-Service), digital services and lifecycle services

Consumer Subscriptions: Instant Ink, other consumer subscriptions and consumer digital services

Industrial Graphics: Large Format Industrial, Page Wide Press (PWP), Indigo and Page Wide Industrial packaging solutions and supplies

3D & Personalization: Portfolio of additive manufacturing solutions and supplies including end-to-end solutions such as molded fiber, footwear and orthotics

In fourth quarter of fiscal 2022, HP had disclosed full year Key Growth Areas revenues of “over \$11 billion”. The changes to WSS reduced the previously disclosed revenues to approximately \$10 billion for the fiscal year 2022.

Material limitations associated with use of non-GAAP financial measures

These non-GAAP financial measures may have limitations as analytical tools, and these measures should not be considered in isolation or as a substitute for analysis of HP’s results as reported under GAAP. Some of the limitations in relying on these non-GAAP financial measures are:

- ⌋ Items such as amortization of intangible assets, though not directly affecting HP’s cash position, represent the loss in value of intangible assets over time. The expense associated with this change in value is not included in non-GAAP operating margin, non-GAAP net earnings and non-GAAP diluted net EPS, and therefore does not reflect the full economic effect of the change in value of those intangible assets.
- ⌋ Items such as restructuring and other charges, acquisition and divestiture charges, amortization of intangible assets and Russia exit charges are excluded from non-GAAP operating margin. In addition, non-operating retirement-related (credits)/charges, debt extinguishment costs (benefit) and tax adjustments are excluded from non-GAAP net earnings and non-GAAP diluted net EPS. These items can have a material impact on the equivalent GAAP earnings measure and cash flows.
- ⌋ HP may not be able to immediately liquidate the short-term and certain long-term investments included in gross cash, which may limit the usefulness of gross cash as a liquidity measure.

Other companies may calculate the non-GAAP financial measures differently than HP, limiting the usefulness of those measures for comparative purposes.

Compensation for limitations associated with use of non-GAAP financial measures

HP accounts for the limitations on its use of non-GAAP financial measures by relying primarily on its GAAP results and using non-GAAP financial measures only supplementally. HP also provides reconciliations of each non-GAAP financial measure to its most directly comparable GAAP measure within this news release and in other written materials that include these non-GAAP financial measures, and HP encourages investors to review those reconciliations carefully.

Usefulness of non-GAAP financial measures to investors

HP believes that providing net revenue on a constant currency basis, non-GAAP total operating expense, non-GAAP operating profit, non-GAAP operating margin, non-GAAP tax rate, non-GAAP net earnings, non-GAAP diluted net EPS, free cash flow, gross cash and net cash (debt) to investors in addition to the related GAAP financial measures provides investors with greater insight to the information used by HP’s management in its financial and operational decision making and allows investors to see HP’s results “through the eyes” of management. HP further believes that providing this information better enables HP’s investors to understand HP’s operating performance and financial condition and to evaluate the efficacy of the methodology and information used by HP’s management to evaluate and measure such performance and financial condition. Disclosure of these non-GAAP financial measures also facilitates comparisons of HP’s operating performance with the performance of other companies in HP’s industry that supplement their GAAP results with non-GAAP financial measures that may be calculated in a similar manner.